

GRISWOLD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Griswold Community School District in Griswold, Iowa.

The District's revenues totaled \$6,308,459 for the year ended June 30, 2006, a 3.40 percent increase from the prior year. Revenues included \$2,355,483 in unrestricted state grants, \$2,616,166 in local tax, charges for service of \$568,055, operating grants, contributions, and restricted interest of \$694,174, and \$39,933 in unrestricted interest.

Expenses for district operations totaled \$5,806,173 a 9.45 percent increase from the prior year. Expenses included \$2,206,204 for regular instruction, \$654,483 for operation and maintenance of plant services and \$590,693 for other instruction.

A copy of the audit report is available for review in the District Secretary's Office, the Office of Auditor of State, and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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Griswold Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2005 Election)</b>		
Terry Whiley	President	2005
Cherie Miner	Vice President	2006
Mary Perdue	Board Member	2005
Jo Beth Reynolds	Board Member (Resigned)	2005
Brenda Whiley	Board Member (Appointed)	2005
Linda Jahnke	Board Member	2006
Scott Hansen	Board Member	2007
Clarion Campbell	Board Member	2007
<b>Board of Education (After September 2005 Election)</b>		
Cherie Miner	President	2006
Linda Jahnke	Vice President (Resigned)	2006
Todd Wepler	Vice President (Appointed)	2006
Terry Whiley	Board Member	2008
Mary Perdue	Board Member	2008
Brenda Whiley	Board Member	2008
Scott Hansen	Board Member	2007
Clarion Campbell	Board Member	2007
<b>School Officials</b>		
Darwin Lehmann	Superintendent	2006
Mary Beth Fast	District Secretary/Treasurer and Business Manager	2006
Rawson Stevens	Attorney	2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Griswold Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Griswold Community School District, Griswold, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Griswold Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2006, on our consideration of the Griswold Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Griswold Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

November 16, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Griswold Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,838,500 in fiscal 2005 to \$4,926,279 in fiscal 2006, while General Fund expenditures increased from \$4,613,179 in fiscal 2005 to \$5,067,783 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$1,249,821 in fiscal 2005 to a balance of \$1,110,128 in fiscal 2006, an 11.18% decrease from the prior year. Although revenues increased in the year over year comparison, the increase in revenues was not enough to offset the increase in General Fund expenditures.
- An increase in interest rates resulted in interest earnings in the General Fund alone to increase from \$16,265 in fiscal year 2005 to \$33,184 in fiscal year 2006.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Griswold Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Griswold Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Griswold Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Griswold Community School District Annual Financial Report**

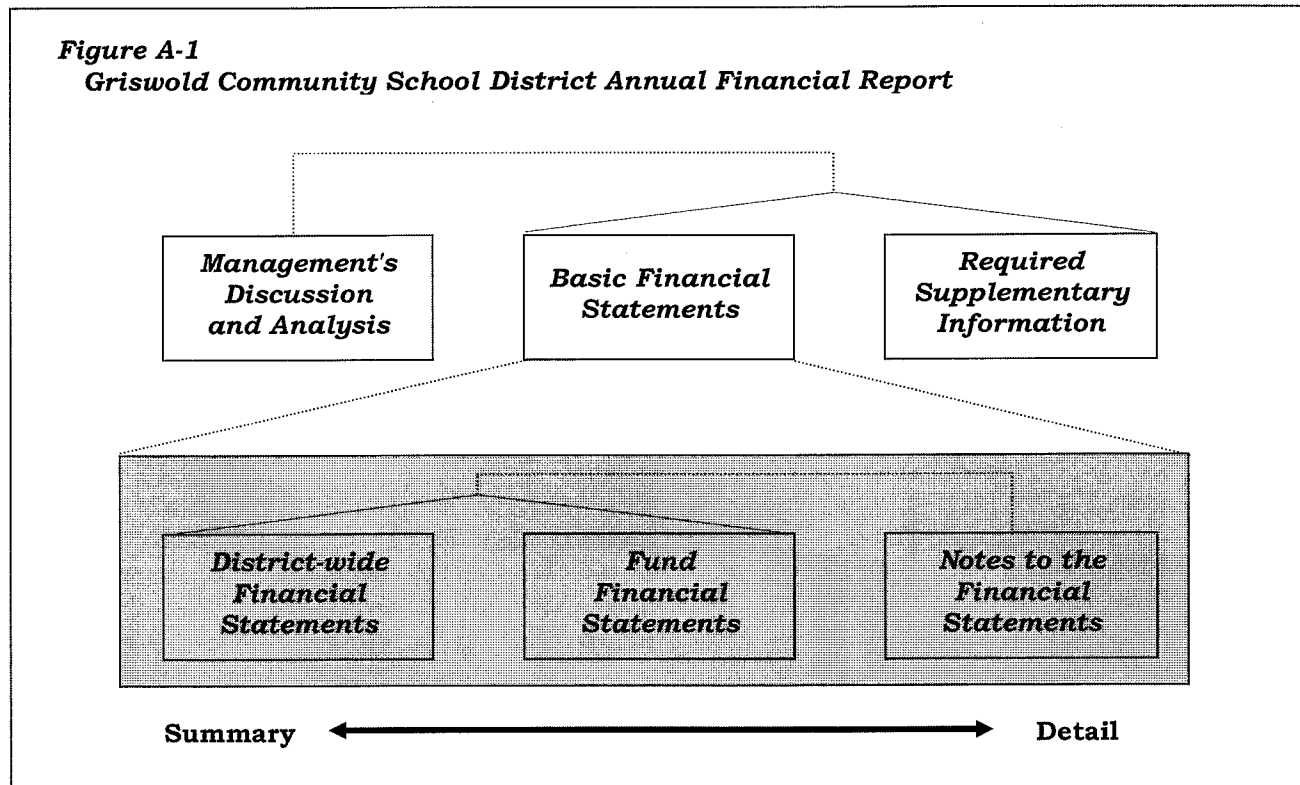




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 4,610,067	4,570,540	49,170	60,637	4,659,237	4,631,177	0.61%
Capital assets	2,786,087	2,631,258	21,668	25,887	2,807,755	2,657,145	5.67%
Total assets	7,396,154	7,201,798	70,838	86,524	7,466,992	7,288,322	2.45%
Long-term obligations	31,447	258,026	0	0	31,447	258,026	-87.81%
Other liabilities	2,453,858	2,548,578	21,826	23,811	2,475,684	2,572,389	-3.76%
Total liabilities	2,485,305	2,806,604	21,826	23,811	2,507,131	2,830,415	-11.42%
Net assets:							
Invested in capital assets, net of related debt	2,786,087	2,455,664	21,668	25,887	2,807,755	2,481,551	13.15%
Restricted	836,914	519,885	0	0	836,914	519,885	60.98%
Unrestricted	1,287,848	1,419,645	27,344	36,826	1,315,192	1,456,471	-9.70%
Total net assets	\$ 4,910,849	4,395,194	49,012	62,713	4,959,861	4,457,907	11.26%

The District's combined net assets increased by 11.26%, or \$501,954, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$317,029 or 60.98% over the prior year. The increase in Capital Projects Fund balance was partly responsible for the increase in restricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$141,279 or 9.70%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 397,467	353,841	170,588	171,522	568,055	525,363	8.13%
Operating grants and contributions and restricted interest	585,228	558,211	108,946	99,519	694,174	657,730	5.54%
General revenues:							
Property tax	2,237,666	2,387,058	0	0	2,237,666	2,387,058	-6.26%
Local option sales and service tax	378,500	225,887	0	0	378,500	225,887	67.56%
Unrestricted state grants	2,355,483	2,281,392	0	0	2,355,483	2,281,392	3.25%
Unrestricted investment earnings	39,817	20,974	116	140	39,933	21,114	89.13%
Other	34,648	2,746	0	0	34,648	2,746	100.00%
Total revenues	6,028,809	5,830,109	279,650	271,181	6,308,459	6,101,290	3.40%
Program expenses:							
Governmental activities:							
Instructional	3,336,225	3,108,066	0	0	3,336,225	3,108,066	7.34%
Support services	1,883,152	1,624,436	0	0	1,883,152	1,624,436	15.93%
Non-instructional programs	3,705	2,845	293,019	281,690	296,724	284,535	4.28%
Other expenses	290,072	288,064	0	0	290,072	288,064	0.70%
Total expenses	5,513,154	5,023,411	293,019	281,690	5,806,173	5,305,101	9.45%
Excess(deficiency) of revenues over(under) expenditures	515,655	806,698	(13,369)	(10,509)	502,286	796,189	-36.91%
Other financing uses, net	0	0	(332)	0	(332)	0	-100.00%
Change in net assets	515,655	806,698	(13,701)	(10,509)	501,954	796,189	-36.96%
Beginning net assets	4,395,194	3,588,496	62,713	73,222	4,457,907	3,661,718	21.74%
Ending net assets	\$ 4,910,849	4,395,194	49,012	62,713	4,959,861	4,457,907	11.26%

In fiscal 2006, property tax and unrestricted state grants account for 76.19% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.96% of the revenue from business type activities.

The District's total revenues were approximately \$6.3 million of which \$6.0 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced less than a 3.40% increase in revenues and a 9.45% increase in expenses. Unrestricted state grants increased \$74,091 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

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## Governmental Activities

Revenues for governmental activities were \$6,028,809 and expenses were \$5,513,154.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,336,225	2,539,943
Support services	1,883,152	1,883,152
Non-instructional	3,705	3,705
Other expenses	290,072	103,659
Totals	<u>\$ 5,513,154</u>	<u>4,530,459</u>

- The cost financed by users of the District's programs was \$397,467.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$585,228.
- The net cost of governmental activities was financed with \$2,237,666 in property tax, \$378,500 in local option sales and services tax, \$2,355,483 in unrestricted state grants, \$39,817 in unrestricted investment earnings.

## Business-Type Activities

Revenues of the District's business-type activities were \$279,650 and expenses were \$293,019. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Griswold Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,970,950, above last year's ending fund balances of a \$1,837,479.

### Governmental Fund Highlights

- The General Fund balance decreased from \$1,249,821 to \$1,110,128. This was primarily due to the increase in expenditures offsetting the increase in revenues for the year.
- The Capital Projects Fund balance increased from \$334,941 to \$418,279. This was primarily due to the increase in local option sales and services tax.

### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$62,713 at June 30, 2005 to \$49,012 at June 30, 2006, representing a decrease of 21.85%.

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## BUDGETARY HIGHLIGHTS

The District's revenues were \$11,240 less than budgeted receipts, a variance of less than 1%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget exceeded in the support services function due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$2,807,755, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 5.36% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$178,444.

The original cost of the District's capital assets was \$5,470,451. Governmental funds account for \$5,378,674 with the remainder of \$91,777 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2005, compared to \$62,509 reported at June 30, 2006. This change is due to the current heating and cooling projects at the high school that have not been completed as of this report.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 80,747	81,302	0	0	80,747	81,302	-0.69%
Construction in progress	62,509	0	0	0	62,509	0	100.00%
Buildings	2,380,781	2,300,309	0	0	2,380,781	2,300,309	3.38%
Land improvements	33,704	36,140	0	0	33,704	36,140	-7.23%
Machinery and equipment	228,346	213,507	21,668	25,887	250,014	239,394	4.25%
Total	\$ 2,786,087	2,631,258	21,668	25,887	2,807,755	2,657,145	5.36%

### Long-Term Debt

At June 30, 2006, the District had \$31,447 in other long-term debt outstanding. This represents a decrease of 87.8% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

As of June 30, 2006, the District currently has no general obligation bond indebtedness. The final payment on the bonds was made during fiscal 2006.

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The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$31,447 at June 30, 2006.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total
	2006	2005	Change
General obligation bonds	\$ 0	245,000	-100.0%
Early retirement	31,447	13,026	141.4%
Totals	<u>\$ 31,447</u>	<u>258,026</u>	<u>-87.8%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The addition of the Super Center Wal-Mart has produced larger than expected revenues of local option sales tax for the District's Capital Projects Fund. These increased monies will be valuable for future building renovations and other capital projects.
- The District is in the process of installing air conditioning district wide. There will be significant outlays in the future to complete these projects. The increased local option sales tax monies will be beneficial in covering costs of these projects.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Beth Fast, District Secretary/Business Manager, Griswold Community School District, 20 Madison Street, P.O. Box 280, Griswold, Iowa, 51535.

## BASIC FINANCIAL STATEMENTS



GRISWOLD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,363,673	40,470	2,404,143
Receivables			
Property tax:			
Delinquent	87,383	0	87,383
Succeeding year	1,775,964	0	1,775,964
Income surtax	185,259	0	185,259
Interfund	0	1,341	1,341
Accounts	99,137	247	99,384
Due from other governments	98,651	0	98,651
Inventories	0	7,112	7,112
Capital assets, net of accumulated depreciation (Note 4)	2,786,087	21,668	2,807,755
<b>TOTAL ASSETS</b>	<b>7,396,154</b>	<b>70,838</b>	<b>7,466,992</b>
<b>LIABILITIES</b>			
Interfund	1,341	0	1,341
Accounts payable	146,128	1,708	147,836
Salaries and benefits payable	530,425	17,155	547,580
Deferred revenue:			
Succeeding year property tax	1,775,964	0	1,775,964
Other	0	2,963	2,963
Long-term liabilities (Note 5):			
Portion due within one year:			
Early retirement payable	13,954	0	13,954
Portion due after one year:			
Early retirement payable	17,493	0	17,493
<b>TOTAL LIABILITIES</b>	<b>2,485,305</b>	<b>21,826</b>	<b>2,507,131</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	2,786,087	21,668	2,807,755
Restricted for:			
Salary improvement program	6,649	0	6,649
Early intervention	890	0	890
Debt service	71,458	0	71,458
Capital projects	418,279	0	418,279
Management levy	180,739	0	180,739
Physical plant and equipment levy	52,793	0	52,793
Other special revenue purposes	106,106	0	106,106
Unrestricted	1,287,848	27,344	1,315,192
<b>TOTAL NET ASSETS</b>	<b>\$ 4,910,849</b>	<b>49,012</b>	<b>4,959,861</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities
Functions/Programs					Total
Governmental activities:					
Instruction:					
Regular instruction	\$ 2,206,204	123,282	386,840	(1,696,082)	0
Special instruction	539,328	47,611	0	(491,717)	0
Other instruction	590,693	226,574	11,975	(352,144)	0
	<u>3,336,225</u>	<u>397,467</u>	<u>398,815</u>	<u>(2,539,943)</u>	<u>0</u>
Support services:					
Student services	58,100	0	0	(58,100)	0
Instructional staff services	293,098	0	0	(293,098)	0
Administration services	590,590	0	0	(590,590)	0
Operation and maintenance of plant services	654,483	0	0	(654,483)	0
Transportation services	286,881	0	0	(286,881)	0
	<u>1,883,152</u>	<u>0</u>	<u>0</u>	<u>(1,883,152)</u>	<u>0</u>
Non-instructional programs	3,705	0	0	(3,705)	
Other expenditures:					
Long-term debt interest	8,934	0	0	(8,934)	0
AEA flowthrough	186,413	0	186,413	0	0
Depreciation (unallocated) *	94,725	0	0	(94,725)	0
	<u>290,072</u>	<u>0</u>	<u>186,413</u>	<u>(103,659)</u>	<u>0</u>
Total governmental activities	5,513,154	397,467	585,228	(4,530,459)	0
Business-Type activities:					
Non-instructional programs:					
Nutrition services	293,019	170,588	108,946	0	(13,485)
Total business-type activities	<u>293,019</u>	<u>170,588</u>	<u>108,946</u>	<u>0</u>	<u>(13,485)</u>
Total	<u>\$ 5,806,173</u>	<u>568,055</u>	<u>694,174</u>	<u>(4,530,459)</u>	<u>(13,485)</u>
General Revenues:					
Property tax levied for:					
General purposes				\$ 1,934,608	0
Debt service				253,749	0
Capital outlay				49,309	0
Local option sales and services				378,500	0
Unrestricted state grants				2,355,483	0
Unrestricted investment earnings				39,817	116
Gain on sale of equipment				3,811	0
Other				30,837	0
Total general revenues				<u>5,046,114</u>	<u>116</u>
Changes in net assets before other financing uses				515,655	(13,369)
Other financing uses:					
Loss on disposal of assets				0	(332)
Change in net assets				515,655	(13,701)
Net assets beginning of year				4,395,194	62,713
Net assets end of year				<u>\$ 4,910,849</u>	<u>49,012</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,582,221	344,343	437,109	2,363,673
Receivables:				
Property tax:				
Delinquent	72,249	0	15,134	87,383
Succeeding year	1,565,503	0	210,461	1,775,964
Income surtax	185,259	0	0	185,259
Accounts	98,125	0	1,012	99,137
Due from other governments	24,715	73,936	0	98,651
<b>TOTAL ASSETS</b>	<b>\$ 3,528,072</b>	<b>418,279</b>	<b>663,716</b>	<b>4,610,067</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund payable	\$ 1,341	0	0	1,341
Accounts payable	135,416	0	10,712	146,128
Salaries and benefits payable	530,425	0	0	530,425
Deferred revenue:				
Succeeding year property tax	1,565,503	0	210,461	1,775,964
Income surtax	185,259	0	0	185,259
Total liabilities	2,417,944	0	221,173	2,639,117
Fund balances:				
Reserved for:				
Debt Service	0	0	71,458	71,458
Salary Improvement Program	6,649	0	0	6,649
Early Intervention	890	0	0	890
Unreserved:				
Undesignated	1,102,589	418,279	371,085	1,891,953
Total fund balances	1,110,128	418,279	442,543	1,970,950
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,528,072</b>	<b>418,279</b>	<b>663,716</b>	<b>4,610,067</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$	1,970,950
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*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		2,786,087
---	--	-----------

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		185,259
--	--	---------

Long-term liabilities such as early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.		(31,447)
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Net assets of governmental activites (page 13)	\$	<u>4,910,849</u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,771,141	378,500	466,525	2,616,166
Tuition	170,893	0	0	170,893
Other	62,370	3,032	250,332	315,734
State sources	2,762,997	0	330	2,763,327
Federal sources	158,878	0	0	158,878
Total revenues	4,926,279	381,532	717,187	6,024,998
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	2,198,335	0	12,388	2,210,723
Special instruction	544,821	0	0	544,821
Other instruction	419,163	0	169,470	588,633
	3,162,319	0	181,858	3,344,177
Support services:				
Student services	37,068	0	0	37,068
Instructional staff services	293,098	0	0	293,098
Administration services	575,192	0	16,341	591,533
Operation and maintenance of plant services	531,732	70,912	53,442	656,086
Transportation services	278,659	0	22,607	301,266
	1,715,749	70,912	92,390	1,879,051
Non-instructional programs				
Food service operations	0	0	403	403
Community service and other enterprise operations	3,302	0	0	3,302
	3,302	0	403	3,705
Other expenditures:				
Facilities acquisitions	0	227,282	0	227,282
Long-term debt:				
Principal	0	0	245,000	245,000
Interest and fiscal charges	0	0	9,710	9,710
AEA flowthrough	186,413	0	0	186,413
	186,413	227,282	254,710	668,405
Total expenditures	5,067,783	298,194	529,361	5,895,338
Excess(deficiency) of revenues over(under) expenditures	(141,504)	83,338	187,826	129,660
Other financing sources:				
Sale of equipment	1,811	0	2,000	3,811
Total other financing sources	1,811	0	2,000	3,811
Net change in fund balances	(139,693)	83,338	189,826	133,471
Fund balance beginning of year	1,249,821	334,941	252,717	1,837,479
Fund balance end of year	\$ 1,110,128	418,279	442,543	1,970,950

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2006

Net change in fund balances - total governmental funds(page 17) \$ 133,471

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 329,386	
Depreciation expense	<u>(174,557)</u>	154,829

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 245,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 776

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>(18,421)</u>
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Changes in net assets of governmental activities(page 14) \$ 515,655

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 40,470
Receivables:	
Accounts receivable	247
Interfund receivable	1,341
Inventories	7,112
Capital assets, net of accumulated depreciation (Note 4)	<u>21,668</u>
Total assets	<u>70,838</u>
LIABILITIES	
Accounts payable	1,708
Salaries and benefits payable	17,155
Deferred revenue:	
Other	<u>2,963</u>
Total liabilities	<u>21,826</u>
NET ASSETS	
Investment in capital assets	21,668
Unrestricted	<u>27,344</u>
Total net assets	<u>\$ 49,012</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 170,588
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	111,925
Benefits	14,627
Services	5,390
Supplies	156,958
Depreciation	3,887
Other	232
TOTAL OPERATING EXPENSES	<u>293,019</u>
OPERATING LOSS	<u>(122,431)</u>
NON-OPERATING REVENUES:	
State sources	3,899
Federal sources	105,047
Interest on investments	116
TOTAL NON-OPERATING REVENUES	<u>109,062</u>
Change in net assets before loss on asset disposal	(13,369)
Loss on disposal of assets	<u>(332)</u>
Change in net assets	(13,701)
Net assets beginning of year	<u>62,713</u>
Net assets end of year	<u><u>\$ 49,012</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



GRISWOLD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

Exhibit I

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 168,524
Cash received from miscellaneous	169
Cash payments to employees for services	(129,938)
Cash payments to suppliers for goods or services	(144,496)
Net cash used in operating activities	<u>(105,741)</u>
Cash flows from non-capital financing activities:	
State grants received	3,899
Federal grants received	90,040
Net cash provided by non-capital financing activities	<u>93,939</u>
Cash flows from investing activities:	
Interest on investments	<u>116</u>
Net decrease in cash and cash equivalents	(11,686)
Cash and cash equivalents at beginning of year	<u>52,156</u>
Cash and cash equivalents at end of year	<u>\$ 40,470</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (122,431)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,007
Depreciation	3,887
Decrease in inventories	1,369
Increase in accounts receivable	(1,588)
Increase in accounts payable	1,708
Decrease in salaries and benefits payable	(3,386)
Decrease in deferred revenue	(307)
Net cash used in operating activities	<u>\$ (105,741)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 40,470</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$15,007.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

GRISWOLD COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

**(1) Summary of Significant Accounting Policies**

The Griswold Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Griswold, Iowa, and the predominate agricultural territory in Montgomery, Adams, Cass, and Pottawattamie Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Griswold Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Griswold Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Montgomery, Adams, Cass, and Pottawattamie County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in the support services function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 683,115</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The Certificates of Deposit are classified as a Category 1, which means the investments are held by the District in the District's name. The value of the Certificates of Deposit is stated at fair value.

At June 30, 2006, the District had investments in Certificates of Deposit maturing in over one year as follows:

	Fair Value
Certificates of Deposit	\$ 309,833

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Nutrition	General	\$ 1,341

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 81,302	0	555	80,747
Construction in progress	0	62,509	0	62,509
Total capital assets not being depreciated	81,302	62,509	555	143,256
Capital assets being depreciated:				
Buildings	4,164,216	172,761	0	4,336,977
Land improvements	48,703	0	0	48,703
Machinery and equipment	879,028	94,671	123,961	849,738
Total capital assets being depreciated	5,091,947	267,432	123,961	5,235,418
Less accumulated depreciation for:				
Buildings	1,863,907	92,289	0	1,956,196
Land improvements	12,563	2,436	0	14,999
Machinery and equipment	665,521	79,832	123,961	621,392
Total accumulated depreciation	2,541,991	174,557	123,961	2,592,587
Total capital assets being depreciated, net	2,549,956	92,875	0	2,642,831
Governmental activities capital assets, net	\$ 2,631,258	155,384	555	2,786,087



	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 99,794	0	8,017	91,777
Less accumulated depreciation	73,907	3,887	7,685	70,109
Business-type activities capital assets, net	<u>\$ 25,887</u>	<u>(3,887)</u>	<u>332</u>	<u>21,668</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,622
Special	1,940
Other	2,060
Support services:	
Administration	3,584
Operation and maintenance of plant	8,611
Transportation	60,015
	<u>79,832</u>
Unallocated depreciation	<u>94,725</u>
Total governmental activities depreciation expense	<u>\$ 174,557</u>
Business-type activities:	
Food services	<u>\$ 3,887</u>

#### (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 245,000	0	245,000	0	0
Early retirement	13,026	27,989	9,568	31,447	13,954
Total	<u>258,026</u>	<u>27,989</u>	<u>254,568</u>	<u>31,447</u>	<u>13,954</u>

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to years of service multiplied by the amounts from the early retirement schedule found in the District's early retirement policy. These benefits are subject to a maximum of \$18,750 per individual. Early retirement benefits of \$9,568 were paid during the year ended June 30, 2006.

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$181,231, \$171,968 and \$172,177, respectively, equal to the required contributions for each year.

**(7) Risk Management**

Griswold Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$186,413 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2006, disbursements in the support services function exceeded the amount budgeted.

**(10) Construction Commitment**

The District has entered into contracts totaling \$94,673 for heating, ventilation, and air conditioning (HVAC) projects in the high school building. As of June 30, 2006, costs of \$62,509 had been incurred against these contracts. The balance of \$32,164 remaining at June 30, 2006 will be paid as work on the projects progress.

REQUIRED SUPPLEMENTARY INFORMATION

GRISWOLD COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 3,102,793	170,704	3,273,497	3,249,560	3,249,560	23,937
State sources	2,763,327	3,899	2,767,226	2,801,328	2,801,328	(34,102)
Federal sources	158,878	105,047	263,925	265,000	265,000	(1,075)
Total revenues	6,024,998	279,650	6,304,648	6,315,888	6,315,888	(11,240)
Expenditures:						
Instruction	3,344,177	0	3,344,177	3,917,196	3,917,196	573,019
Support services	1,879,051	0	1,879,051	1,812,817	1,812,817	(66,234)
Non-instructional programs	3,705	293,019	296,724	360,644	360,644	63,920
Other expenditures	668,405	0	668,405	938,605	938,605	270,200
Total expenditures	5,895,338	293,019	6,188,357	7,029,262	7,029,262	840,905
Excess(deficiency) of revenues over(under) expenditures	129,660	(13,369)	116,291	(713,374)	(713,374)	(829,665)
Other financing sources, net	3,811	(332)	3,479	71,000	71,000	67,521
Excess(deficiency) of revenues and other financing sources over(under) expenditures	133,471	(13,701)	119,770	(642,374)	(642,374)	(762,144)
Balance beginning of year	1,837,479	62,713	1,900,192	1,595,796	1,595,796	304,396
Balance end of year	\$ 1,970,950	49,012	2,019,962	953,422	953,422	1,066,540

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, disbursements in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

GRISWOLD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 204,776	115,806	50,499	371,081	66,028	437,109
Receivables:						
Property tax:						
Current year delinquent	7,410	0	2,294	9,704	5,430	15,134
Succeeding year	160,000	0	50,461	210,461	0	210,461
Accounts	0	1,012	0	1,012	0	1,012
TOTAL ASSETS	\$ 372,186	116,818	103,254	592,258	71,458	663,716
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	10,712	0	10,712	0	10,712
Deferred revenue:						
Succeeding year property tax	160,000	0	50,461	210,461	0	210,461
Total liabilities	160,000	10,712	50,461	221,173	0	221,173
Fund balances:						
Reserved	0	0	0	0	71,458	71,458
Unreserved:						
Undesignated	212,186	106,106	52,793	371,085	0	371,085
Total fund balances	212,186	106,106	52,793	371,085	71,458	442,543
TOTAL LIABILITIES AND FUND BALANCES	\$ 372,186	116,818	103,254	592,258	71,458	663,716

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	Special Revenue Funds					Total
	Physical			Debt	Service	Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Plant and Equipment Levy			
			Total Special Revenue			
REVENUES:						
Local sources:						
Local tax	\$ 163,467	0	49,309	212,776	253,749	466,525
Other	9,936	238,253	88	248,277	2,055	250,332
State sources	114	0	34	148	182	330
TOTAL REVENUES	173,517	238,253	49,431	461,201	255,986	717,187
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	12,388	0	0	12,388	0	12,388
Other instruction	0	169,470	0	169,470	0	169,470
Support services:						
Administration services	16,341	0	0	16,341	0	16,341
Operation and maintenance of plant services	28,313	0	25,129	53,442	0	53,442
Student transportation	22,607	0	0	22,607	0	22,607
Non-instructional programs:						
Food service operations	403	0	0	403	0	403
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	245,000	245,000
Interest and fiscal charges	0	0	0	0	9,710	9,710
TOTAL EXPENDITURES	80,052	169,470	25,129	274,651	254,710	529,361
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES	93,465	68,783	24,302	186,550	1,276	187,826
OTHER FINANCING SOURCES:						
Sale of equipment	0	0	2,000	2,000	0	2,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	93,465	68,783	26,302	188,550	1,276	189,826
FUND BALANCE BEGINNING OF YEAR	118,721	37,323	26,491	182,535	70,182	252,717
FUND BALANCE END OF YEAR	\$ 212,186	106,106	52,793	371,085	71,458	442,543

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



GRISWOLD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Instrumental Music	743	2,623	3,428	(62)
Vocal Music	1,736	8,249	9,501	484
Athletics	9,493	89,423	95,419	3,497
Adult Ed	905	0	0	905
Annuals	9,005	7,392	7,001	9,396
Class of 2005	1,230	0	1,230	0
Class of 2006	1,636	0	1,580	56
Class of 2007	2,377	0	1,214	1,163
Class of 2008	0	5,812	3,254	2,558
FFA	4,617	19,512	20,182	3,947
FHA	1,031	2,203	2,632	602
Health Services	660	0	308	352
MS Activity	148	150	0	298
General Activity	780	692	1,062	410
N.H.S.	70	822	0	892
Now Interest	(34)	34	0	0
Padlocks	421	0	0	421
S.E.S.	860	651	424	1,087
Spanish Club	144	0	0	144
Student Council	1,101	12,790	11,935	1,956
Washington Trip	400	87,900	10,300	78,000
Total	\$ 37,323	238,253	169,470	106,106

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

GRISWOLD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,616,166	2,427,686	2,420,097	2,111,205
Tuition	170,893	170,793	191,255	185,500
Other	315,734	204,022	222,756	347,846
State sources	2,763,327	2,668,263	2,609,392	2,586,888
Federal sources	158,878	171,340	202,512	225,760
Total	<u>\$ 6,024,998</u>	<u>5,642,104</u>	<u>5,646,012</u>	<u>5,457,199</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,210,723	1,892,645	2,116,005	1,960,410
Special instruction	544,821	596,605	681,874	600,365
Other instruction	588,633	615,473	467,506	562,339
Support services:				
Student services	37,068	123,521	56,634	153,757
Instructional staff services	293,098	173,106	164,908	158,856
Administration services	591,533	519,779	501,286	511,624
Operation and maintenance of plant services	656,086	558,042	420,855	511,688
Transportation services	301,266	287,520	256,263	293,953
Other support services	0	0	4,875	14,269
Non-instructional programs	3,705	2,845	5,533	3,614
Other expenditures:				
Facilities acquisitions	227,282	15,669	112,141	23,216
Long-term debt:				
Principal	245,000	295,000	285,000	270,000
Interest and other charges	9,710	20,035	28,485	38,146
AEA flow-through	186,413	185,312	189,400	201,816
Total	<u>\$ 5,895,338</u>	<u>5,285,552</u>	<u>5,290,765</u>	<u>5,304,053</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

### Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Griswold Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Griswold Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 16, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Griswold Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

#### Compliance and Other Matters

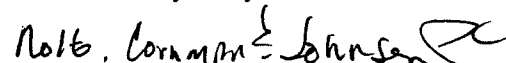
As part of obtaining reasonable assurance about whether Griswold Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Griswold Community School District and other parties to whom Griswold Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Griswold Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

November 16, 2006

GRISWOLD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person opens the mail and prepares an initial listing of the checks received and later compares the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

GRISWOLD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006 exceeded the certified budget amount in the support services function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Karen Laverty, Secretary Son owns Laverty Sanitation, Inc.	Services	\$6,805
Diane Keiser, Coach, Technology para, Owner of Hano's Printing	Printing Services	\$789
Cherie Miner, Board President Employee of Hoarce Mann Insurance	Services	\$2,788
Mary Perdue, Board Member Employee of State Farm Insurance	Services	\$1,200
Scott Hansen, Board Member, Iowa Association of School Boards Board Member and President of Local Government Services, Inc.	Services	\$2,452
Mary Beth Fast, Business Manager, Shareholder and Director for Rolling Hills Bank and Trust	Services	-

In accordance with Attorney General's Opinion dated November 9, 1976, the above transactions with the secretary's son do not appear to be a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the coach and the Business Manager do not appear to represent a conflict of interest.

The Board Members who are employees of the insurance companies should be noted. The Board Members should abstain from votes with regard to items which may benefit them personally. In addition, the District should consider obtaining a legal opinion.

The Board Member, who is also a Board Member of the Iowa Association of School Boards and President of Local Government Services, Inc., should be noted. The Board Member should abstain from votes with regard to items which may benefit him personally. In addition, the District should consider obtaining a legal opinion.

The Business Manager, who is also a shareholder and Director of the bank, should be noted. The Business Manager does not vote and this would appear to eliminate any benefit to her personally. The District should consider obtaining a legal opinion.

Response - We will contact legal counsel.

Conclusion - Response accepted.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.